



General Assembly

January Session, 2005

Raised Bill No. 6619

LCO No. 3113

03113_____INS

Referred to Committee on Insurance and Real Estate

Introduced by:
(INS)

AN ACT CONCERNING DISCOUNT HEALTH PLANS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2005*) (a) No person, as defined in
2 section 38a-1 of the general statutes, may market, advertise, promote or
3 sell to a resident of this state a discount health plan or plan materials
4 that: (1) Fails to provide to the consumer a clear and conspicuous
5 disclosure that the discount health plan is not insurance and that the
6 plan only provides for discounted health care services from
7 participating providers within the plan; (2) uses in its advertisements,
8 marketing materials, brochures or discount cards the term "insurance",
9 "health plan", "coverage", "copay", "copayments", "preexisting
10 conditions", "guaranteed issue", "premium", "enrollment", "PPO",
11 "preferred provider organization" or any other term that could
12 reasonably mislead a person into believing the discount health plan is
13 insurance; (3) fails to provide the name, address and telephone number
14 of the administrator of the discount health plan; (4) fails to make
15 available to the consumer through a toll-free telephone number, upon
16 request of the consumer, a complete and accurate list of the
17 participating providers within the plan in the consumer's local area

18 and a list of the services for which the discounts are applicable; (5) fails
19 to make a printed copy of such list available to the consumer upon
20 request commencing with the time the plan is purchased or fails to
21 update the list at least once every six months; (6) fails to use plain
22 language to describe the discounts or access to discounts offered and
23 such failure results in representations of the discounts that are
24 misleading, deceptive or fraudulent; (7) fails to provide the consumer
25 notice of the right to cancel such discount health plan; (8) offers
26 discounted health services or products that are not authorized by a
27 contract with each provider listed in conjunction with the discount
28 health plan; (9) fails to allow a consumer to cancel a health discount
29 plan not later than thirty days after purchase; or (10) fails to guarantee
30 a refund of all membership fees paid to the discount health plan by the
31 consumer not later than thirty days after timely notification of
32 cancellation of the plan is given to the discount health plan
33 organization.

34 (b) Any person who operates as or aids and abets another operating
35 as a discount health plan organization in violation of this section shall
36 be fined not more than twenty thousand dollars.

37 (c) Any person who collects fees for purported membership in a
38 discount health plan but fails to provide the promised benefits shall be
39 subject to the penalties for larceny under sections 53a-122 to 53a-125b,
40 inclusive, of the general statutes, depending on the amount involved.

41 Sec. 2. (NEW) (*Effective July 1, 2005*) (a) Before doing business in this
42 state as a discount health plan organization, an entity shall:

43 (1) Be a corporation, incorporated under the laws of this state or, if a
44 foreign corporation, authorized to transact business in this state, and
45 shall obtain a license as a discount health plan organization from the
46 Insurance Commissioner in accordance with this section; and

47 (2) File an application for a license to operate as a discount health
48 plan organization with the commissioner on such form as the

49 commissioner prescribes. Such application shall be sworn to by an
50 officer or authorized representative of the applicant, under penalty of
51 false statement, and be accompanied by (A) a copy of the applicant's
52 articles of incorporation, including all amendments; (B) a copy of the
53 applicant's bylaws; (C) a list of the names, addresses, official positions
54 and biographical information of the discount health plan organization
55 and the individuals who are responsible for conducting the applicant's
56 affairs, including, but not limited to, all members of the board of
57 directors, board of trustees, executive committee, or other governing
58 board or committee, the officers, contracted management company
59 personnel, and any person or entity owning or having the right to
60 acquire ten per cent or more of the voting securities of the applicant,
61 which listing shall fully disclose the extent and nature of any contracts
62 or arrangements between any individual who is responsible for
63 conducting the applicant's affairs, including any possible conflicts of
64 interest; (D) for each individual listed in subparagraph (C) of this
65 subdivision as being responsible for conducting the applicant's affairs,
66 a complete biographical statement, on forms prescribed by the
67 commissioner, an independent investigation report containing
68 information prescribed by the commissioner, and a complete set of
69 fingerprints; (E) a statement generally describing the applicant, its
70 personnel and the health services or other services to be offered; (F) a
71 copy of the form of all contracts made or to be made between the
72 applicant and any providers or provider networks regarding the
73 provision of health services to members; (G) a copy of the form of any
74 contract made or to be made between the applicant and any person
75 listed in subparagraph (C) of this subdivision; (H) a copy of the form
76 of any contract made or to be made between the applicant and any
77 person, corporation, partnership or other entity for the performance on
78 the applicant's behalf of any function, including, but not limited to,
79 marketing, administration, enrollment, investment management and
80 subcontracting for the provision of health services to members; (I) a
81 copy of the applicant's most recent financial statements audited by an
82 independent certified public accountant; (J) a description of the

83 proposed method of marketing; (K) a description of the subscriber
84 complaint procedures to be established and maintained; (L) the fee for
85 a discount health plan organization license set forth in section 38a-11
86 of the general statutes, as amended by this act; and (M) such other
87 information as the commissioner may require to make the
88 determinations required by this section. For purposes of this
89 subdivision, a "contract to be made" shall be determined based on the
90 information known to the applicant on the date the information is filed
91 with the commissioner.

92 (b) If the commissioner finds that the applicant is in compliance
93 with the requirements of this section the commissioner shall issue the
94 applicant a license as a discount health plan organization which shall
95 expire one year after the date of issue. The commissioner shall renew
96 the license if the commissioner finds that the licensee is in compliance
97 with the requirements of this section and the licensee has paid the
98 renewal fee set forth in section 38a-11 of the general statutes, as
99 amended by this act.

100 (c) Prior to applying for a license from the commissioner, a discount
101 health plan organization shall establish an Internet website that
102 contains the information described in subsection (t) of this section.

103 (d) Any license or renewal fee received pursuant to this section shall
104 be deposited in the Insurance Fund established in section 38a-52a of
105 the general statutes.

106 (e) Nothing in this section shall require a provider who provides
107 discounts to the provider's own patients to obtain or maintain a license
108 as a discount health plan organization.

109 (f) Each provider who offers health services to members under a
110 discount health plan shall provide such services pursuant to a written
111 agreement. The agreement may be entered into directly by the
112 provider or by a provider network to which the provider belongs.

113 (g) A provider agreement shall include: (1) A list of the services and
114 products to be provided at a discount; (2) the amount of the discounts
115 or, alternatively, a fee schedule that reflects the provider's discounted
116 rates; and (3) a requirement that the provider will not charge members
117 more than the discounted rates.

118 (h) A provider agreement between a discount health plan
119 organization and a provider network shall require that the provider
120 network have written agreements with its providers that: (1) Contain
121 the terms set forth in subsection (g) of this section; (2) authorize the
122 provider network to contract with the discount health plan
123 organization on behalf of the provider; and (3) require the network to
124 maintain an up-to-date list of its contracted providers and to provide
125 that list on a monthly basis to the discount health plan organization.
126 No discount health plan organization may enter into or renew a
127 contractual relationship with a provider network that is not licensed in
128 accordance with section 38a-479aa of the general statutes.

129 (i) The discount health plan organization shall maintain a copy of
130 each active provider agreement.

131 (j) Each discount health plan organization shall file an annual report
132 with the commissioner not later than three months after the end of the
133 fiscal year. Such annual report shall be filed on such forms as the
134 commissioner prescribes and shall include: (1) Audited financial
135 statements prepared in accordance with generally accepted accounting
136 principles certified by an independent certified public accountant,
137 including the organization's balance sheet, income statement and a
138 statement of changes in cash flow for the preceding year; (2) a list of
139 the names and residence addresses of all persons responsible for the
140 conduct of the organization's affairs and a disclosure of the extent and
141 nature of any contracts or arrangements between such persons and the
142 discount health plan organization, including any possible conflicts of
143 interest; (3) the number of members served by the discount health plan
144 organization; and (4) such other information relating to the

145 performance of the discount health plan organization as is required by
146 the commissioner.

147 (k) The commissioner may assess a discount health plan
148 organization that fails to file an annual report in accordance with this
149 section a fine of not more than one thousand dollars for each day of
150 violation for the first ten days of violation and not more than two
151 thousand dollars for each day thereafter, and the commissioner may
152 suspend the organization's authority to enroll new members or to do
153 business in this state while such default continues. The commissioner
154 shall deposit all moneys collected under this subsection in the
155 Insurance Fund established in section 38a-52a of the general statutes.
156 The commissioner may not collect more than one hundred thousand
157 dollars for any one annual report.

158 (l) Each discount health plan organization shall at all times maintain
159 a net worth of at least two hundred fifty thousand dollars.

160 (m) The commissioner may not issue or renew a license under this
161 section unless the discount health plan organization has a net worth of
162 at least two hundred fifty thousand dollars.

163 (n) The commissioner may suspend the authority of a discount
164 health plan organization to enroll new members, revoke any license
165 issued to a discount health plan organization, refuse to renew a license
166 of a discount health plan organization or order compliance if the
167 commissioner finds that any of the following conditions exist:

168 (1) The organization is not operating in compliance with this section
169 or section 1 of this act;

170 (2) The organization does not have the minimum net worth required
171 by this section;

172 (3) The organization has advertised, sold or attempted to sell its
173 services in such a manner as to misrepresent its services or capacity for
174 service or has engaged in deceptive, misleading or unfair practices

175 with respect to advertising or sales;

176 (4) The organization is not fulfilling its obligations as a discount
177 health plan organization; or

178 (5) The continued operation of the discount health plan organization
179 would be hazardous to its members.

180 (o) If the commissioner has reasonable cause to believe that grounds
181 for the suspension, nonrenewal or revocation of a license exist, the
182 commissioner shall notify the discount health plan organization in
183 writing specifically stating the grounds for suspension or revocation.

184 (p) When the license of a discount health plan organization is
185 surrendered, nonrenewed or revoked, the organization shall,
186 immediately following the effective date of the order, wind up and
187 settle the affairs transacted under the license. The organization may
188 not engage in any further advertising, solicitation, collection of fees or
189 renewal of contracts.

190 (q) The commissioner shall, in any order suspending the authority
191 of a discount health plan organization to enroll new members, specify
192 the period during which the suspension is to be in effect and the
193 conditions, if any, which must be met by the discount health plan
194 organization prior to reinstatement of its license to enroll new
195 members. The commissioner may rescind or modify the order of
196 suspension prior to the expiration of the suspension period.

197 (r) The commissioner may not reinstate a license: (1) Unless
198 reinstatement is requested by the discount health plan organization,
199 and (2) if the commissioner finds that the circumstances which led to
200 the suspension still exist or are likely to recur.

201 (s) Each discount health plan organization shall provide the
202 commissioner at least thirty days advance written notice of any change
203 in the discount health plan organization's name, address, principal
204 business address or mailing address.

205 (t) Each discount health plan organization shall maintain an up-to-
206 date list of the names and addresses of the providers with which it has
207 contracted on an Internet website, the address of which shall be
208 prominently displayed on all its advertisements, marketing materials,
209 brochures and discount cards. The list shall include providers with
210 whom the discount health plan organization has contracted directly as
211 well as providers who will provide services to the organization's
212 members as part of a provider network with which the discount health
213 plan organization has contracted.

214 (u) When a discount health plan organization or other person sells a
215 discount health plan with any other product, the fees for each
216 individual product shall be provided, in writing, to the member and
217 itemized.

218 (v) The commissioner may adopt regulations, in accordance with
219 chapter 54 of the general statutes, to implement the provisions of this
220 section.

221 (w) Any person who violates any provision of this section shall be
222 fined not more than two thousand dollars.

223 Sec. 3. Subsection (a) of section 38a-11 of the general statutes is
224 repealed and the following is substituted in lieu thereof (*Effective July*
225 *1, 2005*):

226 (a) The commissioner shall demand and receive the following fees:
227 (1) For the annual fee for each license issued to a domestic insurance
228 company, one hundred dollars; (2) for receiving and filing annual
229 reports of domestic insurance companies, twenty-five dollars; (3) for
230 filing all documents prerequisite to the issuance of a license to an
231 insurance company, one hundred seventy-five dollars, except that the
232 fee for such filings by any health care center, as defined in section 38a-
233 175, shall be one thousand one hundred dollars; (4) for filing any
234 additional paper required by law, fifteen dollars; (5) for each certificate
235 of valuation, organization, reciprocity or compliance, twenty dollars;

236 (6) for each certified copy of a license to a company, twenty dollars; (7)
237 for each certified copy of a report or certificate of condition of a
238 company to be filed in any other state, twenty dollars; (8) for
239 amending a certificate of authority, one hundred dollars; (9) for each
240 license issued to a rating organization, one hundred dollars. In
241 addition, insurance companies shall pay any fees imposed under
242 section 12-211; (10) a filing fee of twenty-five dollars for each initial
243 application for a license made pursuant to section 38a-769; (11) with
244 respect to insurance agents' appointments: (A) A filing fee of twenty-
245 five dollars for each request for any agent appointment; (B) a fee of
246 forty dollars for each appointment issued to an agent of a domestic
247 insurance company or for each appointment continued; and (C) a fee
248 of twenty dollars for each appointment issued to an agent of any other
249 insurance company or for each appointment continued, except that no
250 fee shall be payable for an appointment issued to an agent of an
251 insurance company domiciled in a state or foreign country which does
252 not require any fee for an appointment issued to an agent of a
253 Connecticut insurance company; (12) with respect to insurance
254 producers: (A) An examination fee of seven dollars for each
255 examination taken, except when a testing service is used, the testing
256 service shall pay a fee of seven dollars to the commissioner for each
257 examination taken by an applicant; (B) a fee of forty dollars for each
258 license issued; and (C) a fee of forty dollars for each license renewed;
259 (13) with respect to public adjusters: (A) An examination fee of seven
260 dollars for each examination taken, except when a testing service is
261 used, the testing service shall pay a fee of seven dollars to the
262 commissioner for each examination taken by an applicant; and (B) a fee
263 of one hundred twenty-five dollars for each license issued or renewed;
264 (14) with respect to casualty adjusters: (A) An examination fee of ten
265 dollars for each examination taken, except when a testing service is
266 used, the testing service shall pay a fee of ten dollars to the
267 commissioner for each examination taken by an applicant; (B) a fee of
268 forty dollars for each license issued or renewed; and (C) the expense of
269 any examination administered outside the state shall be the

270 responsibility of the entity making the request and such entity shall
271 pay to the commissioner one hundred dollars for such examination
272 and the actual traveling expenses of the examination administrator to
273 administer such examination; (15) with respect to motor vehicle
274 physical damage appraisers: (A) An examination fee of forty dollars
275 for each examination taken, except when a testing service is used, the
276 testing service shall pay a fee of forty dollars to the commissioner for
277 each examination taken by an applicant; (B) a fee of forty dollars for
278 each license issued or renewed; and (C) the expense of any
279 examination administered outside the state shall be the responsibility
280 of the entity making the request and such entity shall pay to the
281 commissioner one hundred dollars for such examination and the
282 actual traveling expenses of the examination administrator to
283 administer such examination; (16) with respect to certified insurance
284 consultants: (A) An examination fee of thirteen dollars for each
285 examination taken, except when a testing service is used, the testing
286 service shall pay a fee of thirteen dollars to the commissioner for each
287 examination taken by an applicant; (B) a fee of two hundred dollars for
288 each license issued; and (C) a fee of one hundred twenty-five dollars
289 for each license renewed; (17) with respect to surplus lines brokers: (A)
290 An examination fee of ten dollars for each examination taken, except
291 when a testing service is used, the testing service shall pay a fee of ten
292 dollars to the commissioner for each examination taken by an
293 applicant; and (B) a fee of five hundred dollars for each license issued
294 or renewed; (18) with respect to fraternal agents, a fee of forty dollars
295 for each license issued or renewed; (19) a fee of thirteen dollars for
296 each license certificate requested, whether or not a license has been
297 issued; (20) with respect to domestic and foreign benefit societies shall
298 pay: (A) For service of process, twenty-five dollars for each person or
299 insurer to be served; (B) for filing a certified copy of its charter or
300 articles of association, five dollars; (C) for filing the annual report, ten
301 dollars; and (D) for filing any additional paper required by law, three
302 dollars; (21) with respect to foreign benefit societies: (A) For each
303 certificate of organization or compliance, four dollars; (B) for each

304 certified copy of permit, two dollars; and (C) for each copy of a report
 305 or certificate of condition of a society to be filed in any other state, four
 306 dollars; (22) with respect to reinsurance intermediaries: A fee of five
 307 hundred dollars for each license issued or renewed; (23) with respect
 308 to viatical settlement providers: (A) A filing fee of thirteen dollars for
 309 each initial application for a license made pursuant to section 38a-465a;
 310 and (B) a fee of twenty dollars for each license issued or renewed; (24)
 311 with respect to viatical settlement brokers: (A) A filing fee of thirteen
 312 dollars for each initial application for a license made pursuant to
 313 section 38a-465a; and (B) a fee of twenty dollars for each license issued
 314 or renewed; (25) with respect to viatical settlement investment agents:
 315 (A) A filing fee of thirteen dollars for each initial application for a
 316 license made pursuant to section 38a-465a; and (B) a fee of twenty
 317 dollars for each license issued or renewed; (26) with respect to
 318 preferred provider networks, a fee of two thousand five hundred
 319 dollars for each license issued or renewed; (27) with respect to rental
 320 companies, as defined in section 38a-799, a fee of forty dollars for each
 321 permit issued or renewed; (28) with respect to discount health plan
 322 organizations licensed under section 2 of this act, a fee of five thousand
 323 dollars for each license issued or renewed; and [(28)] (29) with respect
 324 to each duplicate license issued a fee of twenty-five dollars for each
 325 license issued.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<u>July 1, 2005</u>	New section
Sec. 2	<u>July 1, 2005</u>	New section
Sec. 3	<u>July 1, 2005</u>	38a-11(a)

Statement of Purpose:

To establish standards and licensing requirements for discount health plan organizations that market discount health plans in this state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]